

**IOWA COUNTY ENGINEERS ASSOCIATION**  
**SERVICE BUREAU**

**FINANCIAL STATEMENTS AND**  
**INDEPENDENT AUDITOR'S REPORT AND**  
**REQUIRED SUPPLEMENTARY INFORMATION**

**JUNE 30, 2004 AND 2003**

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**IOWA COUNTY ENGINEERS ASSOCIATION SERVICE BUREAU**  
**OFFICIALS**

<u>Name</u>	<u>Title</u>	<u>Representing</u>
Eddie Peterson	President	Webster County
Tom Stoner	Past President	Harrison County
Gary Mauer	Alternate	Grundy County
Richard King	Member	Black Hawk County
Warren Dunkel	Alternate	Floyd County
Larry Landman	Member	Lyon County
Steve Struble	Alternate	O'Brien County
Jerry Hare	Member	Pottawattamie County
Chuck Rieken	Alternate	Cass County
Dennis Ryan	Member	Monroe County
Todde Folkerts	Alternate	Lucas County
Mike McClain	Member	Jones County
Donna Smith	Alternate	Dubuque County
Keith White	Ex-Officio	Muscatine County
LeRoy Bergmann	Ex-Officio	IDOT
Bill Peterson	Ex-Officio	ISAC



David W. Hurst, CPA  
Kathleen A. Koenig, CPA  
Robert R. McGowen, CPA  
Michael W. McNichols, CPA  
Thomas J. Pflanz, CPA  
John A. Schmidt, CPA  
Daniel A. Schwarz, CPA  
S. James Smith, CPA

## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of the  
Iowa County Engineers Association Service Bureau

We have audited the accompanying statements of assets, liabilities and net assets – modified cash basis of Iowa County Engineers Association Service Bureau as of June 30, 2004 and 2003, and the related statements of revenue, expenses and changes in net assets – modified cash basis for the years then ended. These financial statements are the responsibility of the Service Bureau's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America, Chapter 11 of the Code of Iowa and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards and provisions require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As described in Note A, these financial statements were prepared on the modified cash basis of accounting which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets, liabilities and net assets of Iowa County Engineers Association Service Bureau as of June 30, 2004 and 2003, and its revenue and expenses for the years then ended, on the basis of accounting described in Note A.

As discussed in Note G, during the year ended June 30, 2004, Iowa County Engineers Association Service Bureau adopted Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*; Statement No. 37, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus*; and Statement No. 38, *Certain Financial Statement Note Disclosures*.

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In accordance with *Government Auditing Standards*, we have also issued our report dated July 30, 2004, on our consideration of the Iowa County Engineers Association Service Bureau's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grants and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management's Discussion and Analysis on pages 4 through 7 is not required part of the basic financial statements, but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited, procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion thereon.

*McGowan, Hurst, Clark & Smith, P.C.*

West Des Moines, Iowa  
July 30, 2004

**IOWA COUNTY ENGINEERS ASSOCIATION SERVICE BUREAU**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**

Iowa County Engineers Association Service Bureau provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2004. We encourage readers to consider this information in conjunction with the Service Bureau's financial statements, which follow.

**FINANCIAL HIGHLIGHTS**

- The Service Bureau's operating revenues increased 26%, or \$85,683, from fiscal 2003 to fiscal 2004.
- The Service Bureau's operating expenses were 24%, or \$68,760, more in fiscal 2004 than in fiscal 2003.
- The Service Bureau's net assets increased 38%, or \$58,047, from June 30, 2003 to June 30, 2004.

**USING THIS ANNUAL REPORT**

The Iowa County Engineers Association Service Bureau is a single Enterprise Fund and presents its financial statements using the economic resources measurement focus and modified cash basis of accounting which is the same measurement focus and basis of accounting employed by certain private sector business enterprises. This discussion and analysis are intended to serve as an introduction to Iowa County Engineers Association Service Bureau's basic financial statements. The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the Service Bureau's financial activities.

The Statement of Assets, Liabilities and Net Assets presents information on certain of the Service Bureau's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Service Bureau is improving or deteriorating.

The Statement of Revenues, Expenses and Changes in Net Assets is the basic statement of activities for proprietary funds. This statement presents information on the Service Bureau's modified cash basis operating revenues and expenses, non-operating revenues and expenses and whether the Service Bureau's financial position has improved or deteriorated as a result of the year's activities.

The Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

**IOWA COUNTY ENGINEERS ASSOCIATION SERVICE BUREAU**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**FINANCIAL ANALYSIS OF THE SERVICE BUREAU**

*Statement of Assets, Liabilities and Net Assets*

As noted earlier, net assets may serve over time as a useful indicator of the Service Bureau's financial position. The Service Bureau's net assets, using the modified cash basis of accounting, for fiscal 2004 totaled approximately \$212,300. This compares to approximately \$154,200 for fiscal 2003. A summary of the Service Bureau's net assets is presented below.

	June 30,	
	2004	2003
Cash	\$ 191,279	\$ 125,423
Property and equipment:		
Furniture and fixtures	7,553	6,253
Computer hardware	33,756	36,409
Computer software	5,517	7,790
Total	46,826	50,452
Less: accumulated depreciation	21,037	18,242
Net property and equipment	25,789	32,210
 Total assets - modified cash basis	 \$ 217,068	 \$ 157,633
 Liabilities – funds held for others	 \$ 4,797	 \$ 3,409
 Net assets - unrestricted	 212,271	 154,224
 Total liabilities and net assets – modified cash basis	 \$ 217,068	 \$ 157,633

All of the Service Bureau's net assets are unrestricted net assets that can be used to meet the Organization's obligations as they come due.

**IOWA COUNTY ENGINEERS ASSOCIATION SERVICE BUREAU**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**FINANCIAL ANALYSIS OF THE SERVICE BUREAU, continued**

*Statement of Revenues, Expenses and Changes in Net Assets*

Operating revenues come primarily from a suballocation of County Road Use Tax funds, (maximum of ¼ of one percent), and also from Iowa Highway Research Board project grants. Funds from these sources are processed and remitted to the Service Bureau through the Iowa Department of Transportation. Operating expenses are expenses paid to provide news, communications, data distribution and work automation services to member counties in Iowa, as well as to conduct specific Iowa Highway Research Board projects. Non-operating revenues are for interest income. A summary of revenues, expenses, and changes in net assets – modified cash basis is presented below:

	Year ended June 30,	
	2004	2003
Revenue		
Reimbursements from the Iowa Department of Transportation:		
Project TR-477	\$ 2,500	\$ 3,816
Project HR-394	66,714	9,320
Project RUTF	327,800	305,800
Interest	981	822
Miscellaneous	15,808	8,362
Total revenue	413,803	328,120
Expenses		
Salaries	220,625	170,987
Payroll taxes	16,196	12,648
Employee benefits	44,641	20,357
Professional services	13,096	44,556
Administrative fees	30,154	15,142
Travel	4,503	5,523
Meeting expenses	332	419
Office supplies and printing	2,721	2,854
Miscellaneous	1,525	940
Depreciation	17,350	12,258
Loss on disposal of assets	4,613	1,312
Total expenses	355,756	286,996
Revenue over expenses - modified cash basis	58,047	41,124
Net assets – modified cash basis, beginning of year	154,224	113,100
Net assets – modified cash basis, end of year	\$ 212,271	\$ 154,224

The Statement of Revenues, Expenses and Changes in Net Assets - modified cash basis reflects an increase in the net assets at the end of each fiscal year. In fiscal 2004, operating revenues increased by \$85,683, or 26%, primarily as a result of the receipt of a \$66,714 final payment from the original Iowa Highway Research Board start-up grant. Operating expenses increased by \$68,760, or 24%, primarily due to the hiring of additional personnel to assist with the research projects.



**IOWA COUNTY ENGINEERS ASSOCIATION SERVICE BUREAU**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**CAPITAL ASSETS**

At June 30, 2004, the Service Bureau had \$25,789 invested in capital assets, net of accumulated depreciation of \$21,037. Depreciation charges totaled \$17,350 for fiscal 2004. More detailed information about the Service Bureau's capital assets is presented in Note A to the financial statements.

**ECONOMIC FACTORS**

Iowa County Engineers Association Service Bureau continued to improve its financial position during the current fiscal year. While the Service Bureau generally expects that funding from the Road Use Tax will be both reliable and stable with moderate year to year growth, it also recognizes some of the realities that may potentially become challenges, such as:

- Any action by the State Legislature to reduce the percentage share of Road Use Tax Fund (RUTF) revenues would decrease the total funds available to the Bureau.
- Should fuel and/or vehicle sales falter, perhaps due to increased fuel prices, economic recession or other factors, less revenue would be available to all RUTF recipients, including the Service Bureau.
- Costs of personnel and technology may potentially grow at a faster rate than RUTF revenues.

The Service Bureau has opted to recognize these potential challenges by limiting its budgets to using only about sixty percent of the maximum RUTF available under the ¼ of one percent allocation. This leaves room for budget growth, if necessary, and protects against reductions in RUTF revenues.

The Service Bureau anticipates the current fiscal year will be much like the last and will maintain a close watch over resources to maintain the Service Bureau's ability to react to unknown issues.

**CONTACTING THE SERVICE BUREAU'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the Service Bureau's finances and to show the Service Bureau's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Iowa County Engineers Association Service Bureau, 501 SW 7<sup>th</sup> Street, Suite Q, Des Moines, Iowa.

**IOWA COUNTY ENGINEERS ASSOCIATION SERVICE BUREAU**  
**STATEMENTS OF ASSETS, LIABILITIES AND NET ASSETS - MODIFIED CASH BASIS**  
**JUNE 30, 2004 AND 2003**

**ASSETS**

	2004	2003
Cash	\$ 191,279	\$ 125,423
Property and equipment:		
Furniture and fixtures	7,553	6,253
Computer hardware	33,756	36,409
Computer software	5,517	7,790
Total	<u>46,826</u>	<u>50,452</u>
Less: accumulated depreciation	<u>21,037</u>	<u>18,242</u>
Net property and equipment	<u>25,789</u>	<u>32,210</u>
<b>TOTAL ASSETS</b>	<b><u><u>\$ 217,068</u></u></b>	<b><u><u>\$ 157,633</u></u></b>

**LIABILITIES AND NET ASSETS**

Liabilities - funds held for others	\$ 4,797	\$ 3,409
Net assets - unrestricted	<u>212,271</u>	<u>154,224</u>
<b>TOTAL LIABILITIES AND NET ASSETS - MODIFIED CASH BASIS</b>	<b><u><u>\$ 217,068</u></u></b>	<b><u><u>\$ 157,633</u></u></b>

The accompanying notes are an integral part of these financial statements.

**IOWA COUNTY ENGINEERS ASSOCIATION SERVICE BUREAU**  
**STATEMENTS OF REVENUE, EXPENSES**  
**AND CHANGES IN NET ASSETS - MODIFIED CASH BASIS**  
**YEARS ENDED JUNE 30, 2004 AND 2003**

	<u>2004</u>	<u>2003</u>
<b><u>REVENUE</u></b>		
Reimbursements from the Iowa Department of Transportation:		
Project TR-477	\$ 2,500	\$ 3,816
Project HR-394	66,714	9,320
Project RUTF	327,800	305,800
Interest	981	822
Miscellaneous	<u>15,808</u>	<u>8,362</u>
<b>TOTAL REVENUE</b>	413,803	328,120
<b><u>EXPENSES</u></b>		
Salaries	220,625	170,987
Payroll taxes	16,196	12,648
Employee benefits	44,641	20,357
Professional services	13,096	44,556
Administrative fees	30,154	15,142
Travel	4,503	5,523
Meeting expenses	332	419
Office supplies and printing	2,721	2,854
Miscellaneous	1,525	940
Depreciation	17,350	12,258
Loss on disposal of assets	<u>4,613</u>	<u>1,312</u>
<b>TOTAL EXPENSES</b>	<u>355,756</u>	<u>286,996</u>
<b>REVENUE OVER EXPENSES</b>	58,047	41,124
<b>NET ASSETS - MODIFIED CASH BASIS, beginning of year</b>	<u>154,224</u>	<u>113,100</u>
<b>NET ASSETS - MODIFIED CASH BASIS, end of year</b>	<u><u>\$ 212,271</u></u>	<u><u>\$ 154,224</u></u>

The accompanying notes are an integral part of these financial statements.

**IOWA COUNTY ENGINEERS ASSOCIATION SERVICE BUREAU**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Nature of Activities - The Iowa County Engineers Association Service Bureau (the Service Bureau) was formed as a non-profit public agency in accordance with Iowa Code Chapter 28E to provide communications, data distribution, and work automation services to member counties in Iowa.

Modified Cash Basis Accounting - The accompanying financial statements have been prepared on the modified cash basis of accounting. Under the modified cash basis of accounting, revenues are recognized when received, rather than when earned, and expenses are recognized when paid, rather than when incurred. The Service Bureau recognizes its investment in property and equipment as assets in these financial statements. Property and equipment are recorded at cost and depreciated over the estimated useful lives (generally three to seven years) of the related assets using the straight-line method. The modified cash basis is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Accordingly, the financial statements do not present financial position and results of operations in accordance with accounting principles generally accepted in the United States of America.

Estimates - The preparation of financial statements in conformity with the modified cash basis of accounting requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Functional Allocation of Expenses - The costs of providing services include salaries and other allocated expenses such as staff travel as well as meeting expenses and professional services. Management and general expenses include all executive, financial administration, building rents, and information systems expenses.

Credit Risk - The Service Bureau occasionally maintains deposits in excess of federally insured limits. This risk is managed by maintaining all deposits in high quality financial institutions who have pledged assets against these deposits. The Organization had approximately \$91,000 on deposit in excess of insurance limits at June 30, 2004.

Income Taxes - The Iowa County Engineers Association Service Bureau is a non-profit organization exempt from income tax under Section 501(c)(3) of the Internal Revenue Code.

**NOTE B - IOWA DEPARTMENT OF TRANSPORTATION AGREEMENTS**

The Service Bureau receives significant funding through a Road Use Tax Fund agreement with the Iowa Department of Transportation.

The Service Bureau enters into contracts to perform research projects on behalf of the Iowa Department of Transportation. The Iowa Department of Transportation reimburses the Service Bureau for costs incurred in connection with completing the research projects. The Service Bureau uses external consultants to assist with completing the contracts. During fiscal years 2004 and 2003, the Service Bureau paid an external consulting firm \$8,986 and \$40,560, respectively, for such services. Costs for such services are the significant component of professional service expense.

**IOWA COUNTY ENGINEERS ASSOCIATION SERVICE BUREAU**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE C - AGREEMENT WITH THE IOWA STATE ASSOCIATION OF COUNTIES**

The Service Bureau has an agreement with the Iowa State Association of Counties (ISAC) whereby ISAC provides the Service Bureau with office space, clerical support, telephone services, use of its office-related equipment, insurance and other employee benefits. The Service Bureau reimburses ISAC for these costs on a periodic basis. At June 30, 2004 and 2003, the Service Bureau owed ISAC \$-0- and \$15,943, respectively, for service fees and other reimbursable expenses.

**NOTE D - PENSION AND RETIREMENT BENEFITS**

The Service Bureau contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits that are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 3.75% of their annual salary and the Organization is required to contribute 5.75% of annual covered payroll. Contribution requirements are established by State statute. The Service Bureau's contributions to IPERS for the years ended June 30, 2004 and 2003 were \$12,292 and \$9,842, respectively.

**NOTE E - FUNDS HELD FOR OTHERS**

The Service Bureau has an agreement with ICEA AutoCAD Users Group (ACAD), The Federal Aid Inspection, and The Blackhawk Geographic Information Systems Group, whereby the Service Bureau provides certain administrative duties to these Organizations, including collecting receipts and disbursing funds as directed by these groups.

**NOTE F - FUNCTIONAL ALLOCATION OF EXPENSES**

Following is a summary of the functional allocation of expenses at June 30, 2004 and 2003:

	<u>2004</u>	<u>2003</u>
Program services	\$ 251,725	\$ 213,065
Fundraising costs	-	-
General and administration	<u>104,031</u>	<u>73,931</u>
	<u>\$ 355,756</u>	<u>\$ 286,996</u>

**NOTE G - ACCOUNTING CHANGE**

During the year ended June 30, 2004, the Organization implemented Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*; Statement No. 37, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus*; and Statement No. 38, *Certain Financial Statement Note Disclosures*. Implementation of these statements had no effect on the beginning balances of the Service Bureau.



David W. Hurst, CPA  
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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND ON INTERNAL CONTROL  
OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Directors of the  
Iowa County Engineers Association Service Bureau

We have audited the financial statements of the Iowa County Engineers Association Service Bureau as of and for the year ended June 30, 2004 and have issued our report thereon dated July 30, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Compliance or Other Matters**

As part of obtaining reasonable assurance about whether the Iowa County Engineers Association Service Bureau's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Comments involving statutory and other legal matters about the Service Bureau's operations for the year ended June 30, 2004 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the Service Bureau. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. Comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

**Internal Control over Financial Reporting**

In planning and performing our audit, we considered the Iowa County Engineers Association Service Bureau's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operations that we consider to be material weaknesses.

This report is intended solely for the information and use of the Board of Directors and the Service Bureau's management and is not intended to be and should not be used by anyone other than these specified parties.

*McGowen, Hurst, Clark & Smith, P.C.*

West Des Moines, Iowa

July 30, 2004

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**IOWA COUNTY ENGINEERS ASSOCIATION SERVICE BUREAU**  
**SCHEDULE OF FINDINGS**  
**YEAR ENDED JUNE 30, 2004**

**Findings Related to the Financial Statements**

**Instances of non-compliance**

No matters were noted.

**Reportable conditions**

No matters were noted.

**Other findings related to required statutory reporting**

No matters were noted.